



# Australian Bureau of Statistics

## 6523.0 - Household Income and Income Distribution, Australia, 2009-10

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## Summary

### Main Features

#### NOTES

#### ABOUT THIS PUBLICATION

This publication presents estimates of the income and other characteristics of households and persons resident in private dwellings in Australia, compiled from the 2009-10 Survey of Income and Housing (SIH). It includes estimates of the distribution of income across the population.

#### CHANGES IN THIS ISSUE

Key changes to the 2009-10 SIH include:

- an increase in sample size from 9,345 households in 2007-08 to 18,071 households in 2009-10 due to a 10,800 base sample, an expansion in the SIH sample for an extra 4,200 households, located outside capital cities as well as an additional sample of metropolitan households whose main source of income was a government pension, benefit and/or allowance
- the inclusion of a benchmark for the value of government benefit cash transfers to ensure that the survey estimate of government benefit cash transfers is maintained at a proportion of aggregate benefit cash transfers that is consistent with previous SIH cycles (this benchmark was last used in the 2000-01 SIH)
- housing data on dwelling condition, characteristics, mobility, finance and rental arrangements collected in 2007-08 were not collected in 2009-10
- wealth data items on assets and liabilities were collected in 2009-10 (last collected in the 2005-06 SIH)
- disability questions for persons aged 15 years and over were asked in the 2009-10 SIH
- an expanded range of detailed tables are included as an Excel datacube on the website, including additional estimates of average weekly equivalised disposable household income and gross household income for populations featured in this publication
- a comparison between the SIH income estimates and the Australian System of National Accounts is included in this publication.

#### REVISIONS

Errors in processing the 2007-08 income estimates have been corrected, resulting in an average increase of \$3 for mean equivalised disposable household income across all households. This was reflected largely in a 1.3% increase in the mean equivalised disposable household income of households in the highest quintile. The income estimates for 2007-08 shown in this publication have been revised. These corrections will be processed for a subsequent re-release of the 2007-08 SIH CURF.

#### EFFECTS OF ROUNDING

Where figures have been rounded, discrepancies may occur between sums of the component items and totals. Published percentages are calculated prior to rounding of the figures and therefore some discrepancy may exist between these percentages and those that could be calculated from the rounded figures.

## **INQUIRIES**

For further information about these and related statistics, contact the National Information and Referral Service on 1300 135 070 or Living Conditions on Canberra (02) 6252 6174, email <[living.conditions@abs.gov.au](mailto:living.conditions@abs.gov.au)>.

# **Summary of findings**

## **SUMMARY OF FINDINGS**

### **INTRODUCTION**

The economic wellbeing of individuals is largely determined by their command over economic resources. People's income and reserves of wealth provide access to many of the goods and services consumed in daily life. This publication provides indicators of the level and distribution of after tax (disposable) household income, after adjusting for household size and composition.

The estimates of disposable income in this publication are derived by deducting estimates of income tax liability, the Medicare levy and Medicare levy surcharge from the gross income data collected in the Survey of Income and Housing (SIH). Gross income is defined as receipts available for, or intended to support, current consumption, and are collected in respect of employment income (including non-cash benefits, bonuses, termination payments and irregular overtime), profit/loss from own unincorporated business, investment income (including interest, rent and dividends), lump sum workers' compensation receipts, private transfers (including superannuation, child support), other transfers from other households and cash transfers from government pensions and allowances. Some limits have been placed on items included as income, where the magnitude of the individual amounts received exceed that likely to be used to support current consumption e.g. termination payments, workers compensation payments.

While income is usually received by individuals, it is normally shared between partners in a couple relationship and with dependent children. To a lesser degree, there may be sharing with other members of the household. Even when there is no transfer of income between members of a household, nor provision of free or cheap accommodation, members are still likely to benefit from the economies of scale that arise from the sharing of dwellings. The income measures shown in this publication therefore relate to household income.

Larger households normally require a greater level of income to maintain the same material standard of living as smaller households, and the needs of adults are normally greater than the needs of children. The income estimates are therefore adjusted by equivalence factors to standardise the income estimates with respect to household size and composition, while taking into account the economies of scale that arise from the sharing of dwellings. The equivalised disposable income estimate for any household in this publication is expressed as the amount of disposable cash income that a single person household would require to maintain the same standard of living as the household in question, regardless of the size or composition of the latter.

Appendix 3 provides a more detailed explanation of equivalised disposable household income. It shows the differences in income measures when calculated from data at different stages in progression from gross household income, through disposable household income, to person weighted equivalised disposable household income.

The ABS has revised its standards for household income statistics following the adoption of new international standards in 2004 and review of aspects of the collection and dissemination of income data. These new standards were introduced for the first time in the 2007-08 reference period. The 2009-10 income estimates presented in this publication also apply the new income standards.

### **KEY RESULTS**

Some of the key income results from the 2009-10 SIH are:

- in real terms, average equivalised disposable household income did not show any significant change between 2007-08 (\$859) and 2009-10 (\$848) (Table 1)

- since 2007-08 there has been a decline in the number of households whose main source of income is unincorporated business income and an increase in the number of households whose main source of income is government pensions and allowances (Table 3)
- for households with middle and high income levels in 2009-10, wages and salaries were the main source of income for more than 80% of households, while for low income households (i.e. those people with household income in the second and third deciles) government pensions and allowances were the main income source for more than 60% of households (Table 6)
- people living in households where the reference person was aged 65 and over had the lowest mean equivalised disposable household incomes per week at \$598 (Table 14) in 2009-10
- people aged 65 and over who were living alone were more likely than couples where the reference person was aged 65 and over to have government pensions and allowances as their main source of income (76% compared to 65%) (Table 13)
- people aged 65 and over who were living alone were less likely than older couples to own their own home without a mortgage (72% compared to 84%) (Table 13)
- average equivalised disposable household incomes in the capital cities in Australia were 19% above those outside the capital cities (Tables 15 and 16)
- average equivalised disposable household incomes in the Australian Capital Territory (\$1,101), Western Australia (\$966), and the not very remote parts of the Northern Territory (\$938) were above the national average (\$848) (Table 17)
- average equivalised disposable household incomes in Tasmania and South Australia were below the national average by 17% and 6% respectively (Table 17).

Some of the key net worth results from the 2009-10 SIH are:

- the wealthiest 20% of households in Australia account for 62% of total household net worth, with an average net worth of \$2.2 million per household (Table 7)
- the poorest 20% of households account for 1% of total household net worth, with an average net worth of \$31,829 per household (Table 7)
- the households in which the 20% of people with the lowest equivalised household incomes live account for 15% of total household net worth, similar to the shares of net worth held by the households with people in the second and third equivalised household income quintiles (Table 6)
- the households in which the 20% of people with the highest equivalised household incomes live account for 40% of total household net worth (Table 6).

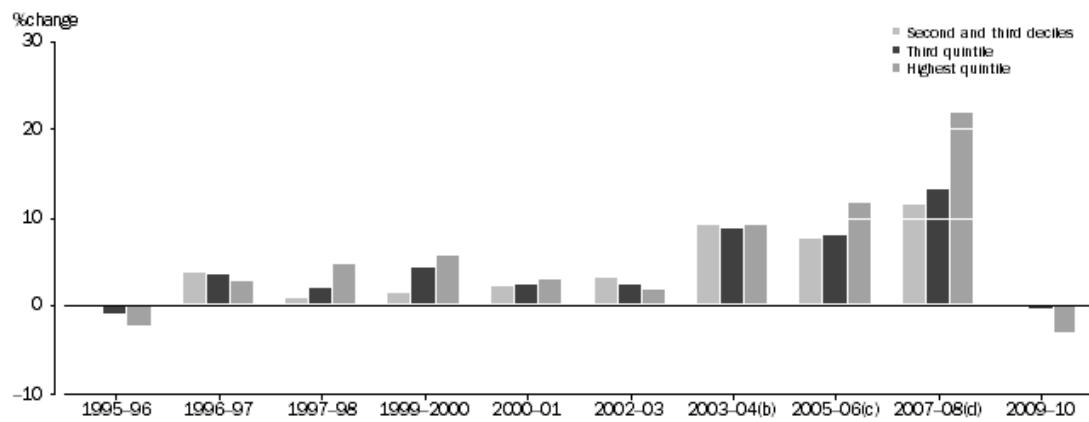
## **HOUSEHOLD INCOME**

In 2009-10 average (mean) equivalised disposable household income for all persons living in private dwellings (i.e. the income that a single person household would require to maintain the same standard of living as the average person living in all private dwellings in Australia) was \$848 per week (Table 1). There were approximately 21.6 million people living in private dwellings (Table 2).

In real terms, average equivalised disposable household income did not show any significant change between 2007-08 (\$859) and 2009-10 (\$848). In 2007-08 there was a break in series due to the improvements in measuring income introduced in this cycle. Adjusting for this break in series the net increase between 1994-95 and 2009-10 was 48%.

In real terms, there was no significant change in average equivalised disposable household income from 2007-08 to 2009-10 for low, middle or high income households.

### **S1. Changes in Mean Real Equivalised Disposable Household Income(a)**



(a) Change from previous survey year

(b) The 2003-04 data have been recompiled to reflect new treatments of income where data are available to support this calculation

(c) The 2005-06 data have been recompiled to reflect new treatments of income where data are available to support this calculation

(d) Estimates presented for 2007-08 and 2008-09 are not directly comparable with estimates for previous cycles due to the improvements made to measuring income introduced in the 2007-08 cycle. Estimates for 2003-04 and 2005-06 have been recompiled to reflect the new treatments of income, however not all new components introduced in 2007-08 are available for earlier cycles.

## Household characteristics

Households with different characteristics tend to have different income levels, as shown in Table 6, and summarised in the following table. Wages and salaries were the main source of income (MSI) for over 80% of households with middle and high income levels in 2009-10 while government pensions and allowances dominated for low income households. However, low income households had the highest incidence of full ownership of their home, reflecting the high proportion of older people in the low income category.

### S2. HOUSEHOLD CHARACTERISTICS 2009-10, by income group

	Low income(a)	Middle income(b)	High income(c)
Mean equivalised disposable household income per week	\$ 429	721	1 704
Has MSI of wages and salaries(d)	% 26.1	80.1	86.0
Has MSI of government pensions and allowances(d)	% 64.4	4.0	-
Owns home without a mortgage	% 45.1	28.2	23.3
Owns home with a mortgage	% 17.8	42.4	52.4
Rents from state/territory housing authority	% 7.2	1.3	*0.3
Rents from private landlord	% 25.5	25.1	20.9
Average number of persons in the household	no. 2.4	2.8	2.5
Average number of employed persons in the household	no. 0.6	1.6	1.9

\* estimate has a relative standard error of 25% to 50% and should be used with caution

- nil or rounded to zero (including null cells)

(a) Persons in the second and third income deciles

(b) Persons in the middle income quintile

(c) Persons in the highest income quintile

(d) Main source of income (MSI)

Middle income households contained more people on average than high income households (2.8 compared to 2.5) but contained fewer employed persons (1.6 compared to 1.9). In part, this reflects the different age profiles of the two groups. Table 6 shows that middle income households had an average of 0.8 persons under the age of 18 and 0.2 aged 65 and over, compared to 0.4 and 0.1 respectively for high income households. Low income households had an average of 0.6 employed persons, and housed an average of 2.4 persons. Of these, on average 0.7 were under 18 years, 1.1 were 18 to 64 years, and 0.7 were aged 65 years and over.

The characteristics of Australian households are changing over time. Table 3 shows that the average number of persons per household declined from 2.69 to 2.57, or about 4%, between 1994-95 and 2009-10. The proportion of couple only households increased from 23.7% to 26.2%, a higher increase than with any other family composition type. Each main source of income retained its relative importance between 1994-95 and 2009-10 with 60.8% of households primarily dependent on wages and salaries in 2009-10. The proportion of households reliant on government pensions and allowances was 25.2% in 2009-10 down from 28.5% in 1994-95. Since 2007-08 there has been a decline in the number of households whose main source of income is unincorporated business income and an increase in the number of households whose main source of income is government pensions and allowances. Over the last decade, home ownership remained

relatively stable at around 70%.

### Life cycle stages

Income levels across the population partly reflect the different life cycle stages that people have reached. A typical life cycle includes childhood, early adulthood, and the forming and maturing of families, as illustrated in Table 13. Other family situations and household compositions are shown in Table 12. The following table compares households in different life cycle stages.

**S3. Income and household characteristics for selected life cycle groups, 2009-10**

	Number of households '000	Average number of persons no.	Average number of employed persons no.	Average number of dependent children no.	Proportion with government pensions and allowances as MSI(a) %	Mean equivalised disposable household income per week \$	Proportion owning home without a mortgage %
Lone person aged under 35	330.5	1.0	0.9	-	9.1	938	*3.5
Couple only, reference person under 35	469.1	2.0	1.8	-	*1.0	1 162	*1.7
Couple with dependent children only							
Eldest child under 5	446.2	3.4	1.5	1.4	7.4	822	5.9
Eldest child 5 to 14	846.8	4.2	1.6	2.2	7.5	865	10.6
Eldest child 15 to 24	551.7	4.1	2.3	2.1	6.7	912	23.3
Couple with Dependent & non-dependent children only	283.3	4.7	3.0	1.4	*5.9	896	22.8
Non-dependent children only	473.3	3.3	2.2	-	10.9	995	50.4
Couple only, reference person 55 to 64	542.4	2.0	1.1	-	19.8	925	57.4
Couple only, reference person 65 and over	741.6	2.0	0.3	-	64.6	594	84.0
Lone person 65 and over	742.0	1.0	0.1	-	76.1	473	71.8
One parent, one family households with dependent children	535.2	3.1	0.9	1.8	50.0	547	11.7

\* estimate has a relative standard error of 25% to 50% and should be used with caution

- nil or rounded to zero (including null cells)

(a) Main source of income (MSI)

Younger couples without children had the highest mean equivalised disposable household income of \$1,162 per week (Table 13), with an average of 1.8 employed persons in the household. For couples with dependent children only, and with the eldest child being under five, mean equivalised disposable household income was \$822 per week (29% lower than for the young couples without children). This lower income principally reflects the lower average number of employed persons in these households (1.5) and the larger average number of persons in these households (3.4) over which incomes are shared.

Average incomes were higher for households with non-dependent children, reflecting higher proportions of employed persons in these households, but were lower for households comprising older couples and lone persons, where the numbers of employed persons were substantially lower.

People living in households where the reference person was aged 65 and over had the lowest mean incomes, with lone persons' incomes at \$473 (Table 13) per week. This was lower than for older couple only households where the reference person was aged 65 and over and the mean income was \$594 per week. Older lone persons were more likely than older couples to have government pensions and allowances as

their main source of income (76% compared to 65%), while older couples were more likely to fully own their home (84% compared to 72%).

Households comprising one parent with dependent children had a mean income of \$547 per week (Table 12). Only 12% fully owned their home and therefore a substantially greater proportion were making mortgage or rental payments from their income. Of these households, 50% had government pensions and allowances as their main source of income. On average there were 0.9 employed persons in the household.

## States and territories

There were differences in the average levels of income between the states and territories (see Table 17). Tasmania's mean equivalised disposable household weekly income was 17% below the national average and South Australia was 6% below. In Table 17, the Australian Capital Territory, Western Australia and the Northern Territory are shown to have the highest mean incomes (30%, 14%, and 11% above the national average respectively). The high income levels reflect in part the younger age profile of the ACT and NT and the greater number of employed persons per household. The results for the Northern Territory also reflects the exclusion from the results of households in collection districts in the NT defined as very remote which, if included, would be likely to reduce the mean income in that territory. This potential for an overestimated mean income in the NT is based on the large relative size of the very remote population for that territory.

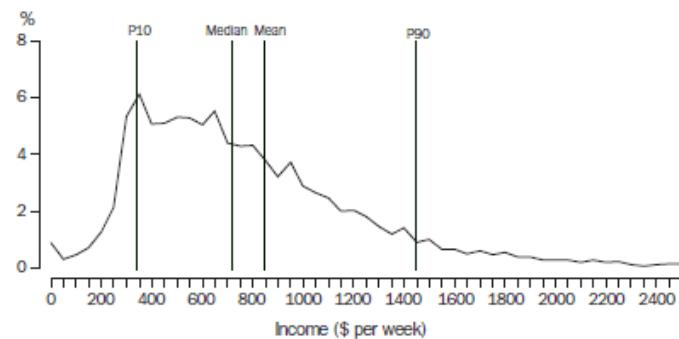
New South Wales, with the largest state population, recorded a mean equivalised disposable household weekly income only 1% above the national average, which is not a statistically significant difference (Table 17).

There are also differences between the equivalised disposable household incomes recorded in capital cities compared to those earned elsewhere in Australia. At the national level, mean incomes in the capital cities were 19% above those in the balance of state (Tables 15 and 16), with all states (separate information is not available for the ACT and NT) recording capital city mean incomes above those in the balance of state except in WA where the mean incomes were not significantly different. The largest differences recorded were for Victoria and South Australia where the capital city incomes were 23% and 22% respectively, above the mean incomes across the rest of the state.

## INCOME DISTRIBUTION

While the mean equivalised disposable household income of all households in Australia in 2009-10 was \$848 per week, the median (i.e. the midpoint when all people are ranked in ascending order of income) was somewhat lower at \$715 (shown as P50 in Table 1). This difference reflects the typically asymmetric distribution of income where a relatively small number of people have relatively very high household incomes, and a large number of people have relatively lower household incomes, as illustrated in the following frequency distribution graph.

**S4. DISTRIBUTION OF EQUIVALISED DISPOSABLE HOUSEHOLD INCOME, 2009-10**



Note: Persons with an income between \$25 and \$2,500 are shown in \$50 ranges on the graph

Percentile ratios are one measure of the spread of incomes across the population. P90 (i.e. the income level dividing the bottom 90% of the population from the top 10%) and P10 (i.e. dividing the bottom 10% of the population from the rest) are shown on the above graph. In 2009-10 P90 was \$1448 per week and P10 was \$344 per week, giving a P90/P10 ratio of 4.21. Changes in these ratios can provide a picture of changing income distribution over time (Table 1).

Another measure of income distribution is provided by the income shares going to groups of people at different points in the income distribution. The following table (S5) shows that, in 2009-10 10.1% of total equivalised disposable household income went to people in the 'low income' group (i.e. those people with household income in the second and third deciles) with 40.2% going to the 'high income' group (i.e. the 20% of the population in the highest income quintile) (Table 1).

The Gini coefficient is a single statistic that lies between 0 and 1 and is a summary indicator of the degree of inequality, with values closer to 0 representing a lesser degree of inequality, and values closer to 1 representing greater inequality. For 2009-10 the Gini coefficient was 0.328.

Some of the change in the income distribution measures between 2005-06 and 2007-08 reflects the most recent improvements made in the 2007-08 cycle. The estimates presented in Tables 1-3 for 2003-04 and 2005-06 have been revised to be as comparable as possible with 2007-08 and 2009-10 estimates.

For more information on analysing income distribution please refer to Appendix 1.

## S5. SELECTED INCOME DISTRIBUTION INDICATORS, Equivalised disposable household income

		1994-95	1995-96	1996-97	1997-98	1999-2000	2000-01	2002-03	2003-04(a)	2005-06(a)	2007-08(a)	2009-10(a)
Percentage share of total income received by persons with												
Low income(b)	%	10.8	11.0	11.0	10.8	10.5	10.5	10.6	10.6	10.4	10.0	10.1
Middle income(c)	%	17.7	17.7	17.8	17.7	17.7	17.6	17.6	17.6	17.4	16.9	17.0
High income(d)	%	37.8	37.3	37.1	37.9	38.4	38.5	38.3	38.4	39.2	41.0	40.2
Ratio of incomes at top of selected income percentiles												
P90/P10	ratio	3.78	3.74	3.66	3.77	3.89	3.97	4.00	3.87	4.05	4.35	4.21
P80/P20	ratio	2.56	2.58	2.54	2.56	2.64	2.63	2.63	2.55	2.58	2.66	2.70
P80/P50	ratio	1.55	1.57	1.56	1.56	1.57	1.56	1.57	1.53	1.55	1.58	1.60
P20/P50	ratio	0.61	0.61	0.61	0.61	0.59	0.59	0.60	0.60	0.60	0.59	0.59
Gini coefficient	no.	0.302	0.296	0.292	0.303	0.310	0.311	0.309	0.306	0.314	0.336	0.328

(a) Estimates presented for 2007-08 and 2009-10 are not directly comparable with estimates for previous cycles due to the improvements made to measuring income introduced in the 2007-08 cycle. Estimates for 2003-04 and 2005-06 have been recompiled to reflect the new treatments of income, however not all new components introduced in 2007-08 are available for earlier cycles

(b) Persons in the second and third income deciles

(c) Persons in the middle income quintile

(d) Persons in the top income quintile

## IMPUTED RENT

Including imputed rent as part of household income and expenditure conceptually treats owner-occupiers as if they were renting their home from themselves, thus simultaneously incurring rental expenditure and earning rental income. Imputed rent is included in income on a net basis i.e. the imputed value of the services received less the value of the housing costs incurred by the household in their role as landlord.

Table 18 presents the estimates of gross and net imputed rent for owner-occupied dwellings and other housing tenures where a rent imputation has been made for 2005-06, 2007-08 and 2009-10. The effect of adding net imputed rent to disposable household income is also shown (on an equivalised basis). The estimated mean gross imputed rent for owner-occupiers was higher than the mean imputation for subsidised renters or other tenure types. When housing costs were subtracted from gross imputed rent to derive net imputed rent, households who occupied their dwelling rent-free (2% of all private households) had the highest mean net imputed rent. Owners without a mortgage, who account for about a third of all private households, had the next highest mean net imputed rent.

In 2009-10 the addition of net imputed rent to disposable household income contributed, on average, an extra \$57 (7%) to the income of all households. The effect in 2005-06 and 2007-08 was similar. For some housing tenures the addition of net imputed rent to disposable household income saw a significant increase in their mean equivalised disposable household incomes. The largest effect was seen for households who

occupied their dwelling as owners without a mortgage (20% increase in 2009-10). Consistent with previous years, there was also a significant increase in 2009-10 for tenants of state / territory housing authorities (17%). The overall effect of the addition of net imputed rent to disposable income is a reduction in the mean income disparities between housing tenures, with a significant decline in the ratio between tenures with the highest and lowest incomes. For example, in 2009-10 the ratio of the mean income of owners with a mortgage to the mean income of tenants of state/territory housing authorities declined from 2.3 to 2.0 when net imputed rent was included.

### **Impact on Income Distribution**

The addition of net imputed rent to disposable household income has a partial equalising effect on the distribution of household income. This result reflects that, for many home owners in lower income ranges the family home that they own is the largest asset held by the household, and the net imputed rent income from that asset is a relatively large proportion of the household's incomes. In higher income ranges the net imputed rent income is a relatively smaller proportion of the household's incomes. This equalising effect of accounting for net imputed rent in income analysis is illustrated in the following frequency distribution graph, table and discussion of a range of distribution measures. (Note: Persons with an income between \$50 and \$2500 are shown in \$50 ranges on the graph).

#### **S6. DISTRIBUTION OF EQUIVALISED DISPOSABLE HOUSEHOLD INCOME (EDHI), WITH AND WITHOUT IMPUTED RENT, 2009-10**

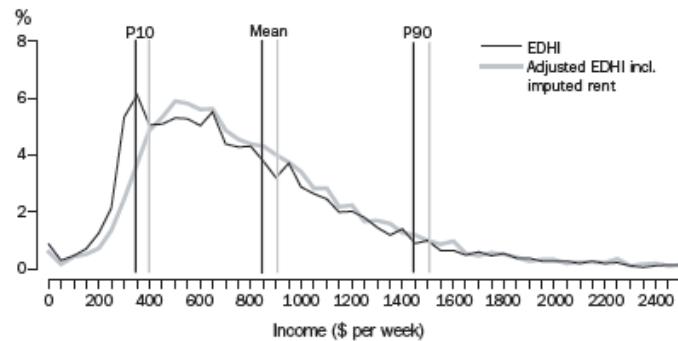


Table 19 shows that in 2009-10 P90 for equivalised disposable household income was \$1,448 per week and P10 was \$344 per week, giving a P90/P10 ratio of 4.21. When net imputed rent was added to income the P90/P10 ratio fell to 3.76. The addition of net imputed rent saw a decrease in the Gini coefficient from 0.328 to 0.309, a decrease of 5.8%. This further indicates that the inclusion of net imputed rent to income results in a more equal distribution.

### **WEALTH DISTRIBUTION**

The distribution of net worth across households is much more unequal than for income, partly reflecting the common pattern of people gradually accumulating wealth throughout their working life. In 2009-10 the 20% of households with the lowest net worth accounted for only 1% of total household net worth, with an average net worth of \$31,829 per household (Table 7). The wealthiest 20% of households in Australia account for 62% of total household net worth, with an average net worth of \$2.2 million per household.

The picture of wealth is more equally distributed when viewed from the perspective of the distribution of incomes. The households in which the 20% of people with the lowest equivalised household incomes live account for 15% of total household net worth, similar to the shares of net worth held by the households with people in the second and third household income quintiles (13% and 14% respectively) (Table 6). The households in which the 20% of people with the highest equivalised household incomes live account for 40% of total household net worth (Table 6).

The distributional pattern of net worth is also marked when considered in terms of sources of household income and household tenure. Households where the main source of household income is 'other' income (principally investment income) had average household net worth of \$1.8 million, while for those where the main source of household income was government pensions and allowances the average household net worth was \$368,588 (Table 9). Net worth in renter households was on average only about 13% of the net worth in owner households with no mortgage, and about 21% of the net worth of owner households with a mortgage (Table 11).

## CHILD CARE

In this publication, the child care use and cost estimates are based on data collected from child care questions being asked of households in the survey where children 12 years of age or less were resident. Table 8 provides key child care information by specific household characteristics. The cost of care estimates are also shown on a household basis.

In SIH 2009-10 respondents were asked to report child care use for the month prior to interview. On this basis, the proportion of children using care may be smaller than a measure based on a usual (or regular) attendance basis due to temporary absences, and larger than the proportion attending in a shorter reference period (such as a school term week). The largest difference will reflect the numbers of school children who will attend vacation care but no other formal care during a school term.

The number of households with children aged 0-12 years using only formal care in the month prior to interview was 247,200 (12% of households with children of this age).

For informal care, 658,200 households with children aged 0-12 years were using only this type of care in the month prior to interview (32% of households with children of this age). Of households with children aged 0-12 years, 366,000 (18%) used both formal and informal child care.

For households using only formal child care, the average weekly cost per household for formal child care before the Child Care Benefit or Child Care Rebate was deducted was \$153. For households using only formal child care, the average amount received per week for the Child Care Benefit and Child Care Rebate was \$39 and \$23 respectively.

## About this Release

Provides estimates of income received by households, classified by various characteristics of the households and their residents (eg income quintile, principal source of household income, family composition, tenure type, age, employment status). This publication also includes, summary child care usage and cost information.

## Explanatory Notes

### Explanatory Notes

#### EXPLANATORY NOTES

##### INTRODUCTION

**1** This publication presents a summary of the findings from the 2009-10 Survey of Income and Housing (SIH). The survey collected detailed information about the income and household characteristics of persons aged 15 years and over resident in private dwellings throughout Australia.

**2** The Household Expenditure Survey and Survey of Income and Housing, User Guide, Australia, 2009-10 (cat. no. 6503.0), expected to be released in September 2011, will assist users in evaluating and interpreting results from this survey.

**3** The SIH was conducted continuously from 1994-95 to 1997-98, and then in 1999-2000, 2000-01, 2002-03, 2003-04, 2005-06, 2007-08 and 2009-10. The 2009-10 SIH collected information from a sample of 18,071 households over the period July 2009 to June 2010. The SIH is now conducted every two years.

**4** Previous surveys of household income were conducted by the Australian Bureau of Statistics (ABS) in 1979, 1982, 1986 and 1990. These surveys were generally conducted over a two-month period, compared to

a twelve-month period for the SIH. The SIH also included improvements to the survey weighting and estimation procedures, changes to the scope and coverage of household income and changes to interviewing methods.

**5** The 2009-10 SIH was integrated with the Household Expenditure Survey (HES), as it was in 2003-04. The 2007-08 SIH was run as a stand alone survey, as it was in 2005-06 and will be again in 2011-12.

## CHANGES IN THIS ISSUE

**6** Key changes to the 2009-10 SIH include:

- an increase in sample size from 9,345 households in 2007-08 to 18,071 households in 2009-10 due to a 10,800 base sample, an expansion in the SIH sample for an extra 4,200 households, located outside capital cities as well as an additional sample of metropolitan households whose main source of income was a government pension, benefit and/or allowance
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- a comparison between the SIH income estimates and the Australian System of National Accounts is included in this publication, see appendix 5.

### Changes to the survey sample

**7** The May 2009 Budget funded an expansion in the SIH sample for an extra 4,200 households, located outside capital cities. This expansion was to better support Council of Australian Governments (COAG) performance indicator reporting, particularly in regard to housing affordability and home ownership measures required under COAG intergovernmental agreements.

**8** For the 2009-10 SIH and HES there was an additional sample of metropolitan households whose main source of income was a government pension, benefit and/or allowance. These pensioner households were enumerated using a separate sample design, but the fully responding in-scope households from this sample were included in the final SIH and HES sample. The main purpose of the inclusion of this additional sample was for the development of a Pensioner and Beneficiary Living Cost Index (PBLCI), which is part of the revised process for indexing age and other pensions. The pensioner sample supports improved commodity weighting for the PBLCI to better reflect the different expenditure patterns of pensioner households compared with the general population.

### Income measures

**9** In 2007-08 the ABS revised its standards for household income statistics following the adoption of new international standards in 2004 and review of aspects of the collection and dissemination of income data. The 2007-08 and 2009-10 income estimates apply the new income standards.

**10** To the extent possible, the estimates for 2003-04 and 2005-06 shown in the time series tables in this publication also reflect the new treatments.

**11** For more detail on the nature and impact of the changes on the income data see Appendix 4 of **Household Income and Distribution, Australia, 2007-08** (cat. no. 6523.0)

### Other changes

**12** Errors in processing the 2007-08 income estimates have been corrected, resulting in an average increase of \$3 for mean equivalised disposable household income across all households. This was reflected largely in a 1.3% increase in the mean equivalised disposable household income of households in the highest quintile. The income estimates for 2007-08 shown in this publication have been revised.

## CONCEPTS AND DEFINITIONS

**13** The concepts and definitions relating to statistics of income are described in the following section. Other definitions are included in the glossary.

### Person and household data

**14** A major determinant of economic wellbeing for most people is the level of income they and other family members in the same household receive.

**15** While income is usually received by individuals, it is normally shared between partners in a couple relationship and with dependent children. To a lesser extent, it may be shared with other children, other relatives and possibly other people living in the same household, for example through the provision of free or reduced accommodation costs. This is particularly likely to be the case for children other than dependants and other relatives with low levels of income of their own. Even when there is no transfer of income between members of a household, nor provision of free or reduced accommodation costs, members are still likely to benefit from the economies of scale that arise from the sharing of dwellings.

**16** Household characteristics, including household income, are therefore the main information required for analysing income distribution. However, it is the number of people who belong to households with particular characteristics, rather than the number of households with those characteristics, that is of primary interest in measuring income distribution and leads to the preference for the equal representation of those persons in such analysis. For example, if the person is used as the unit of analysis rather than the household, then the representation in the income distribution of each person in a household comprising four persons is the same as that for each person in a household comprising two persons. In contrast, if the household were to be used as the unit of analysis, each person in the four person household would only have half the representation of each person in the two person household.

**17** In this publication, the income distribution measures are all calculated with respect to persons, including children. Such measures are sometimes known as person weighted estimates. They are described in more detail in Appendix 1. Nevertheless, as most of the relevant characteristics of persons relate to their household circumstances, Tables 6 to 17 primarily describe the households to which people belong.

### Income

**18** Household income consists of all current receipts, whether monetary or in kind, that are received by the household or by individual members of the household, and which are available for, or intended to support, current consumption.

**19** Income includes receipts from:

- wages and salaries and other receipts from employment (whether from an employer or own incorporated enterprise), including income provided as part of salary sacrifice and/or salary package arrangements
- profit/loss from own unincorporated business (including partnerships)
- net investment income (interest, rent, dividends, royalties)
- government pensions and allowances
- private transfers (e.g. superannuation, workers' compensation, income from annuities, child support, and financial support received from family members not living in the same household).

**20** Receipts of family tax benefit are treated as income, regardless of whether they are received fortnightly or as a lump sum. The aged persons' savings bonus and self-funded retirees' supplementary bonus, paid as part of the introduction of The New Tax System in 2000-01 are regarded as capital transfers as they were designed to help retired people maintain the value of their savings and investments following the introduction of the GST. However, the one-off payment to older Australians paid in 2000-01, 2005-06 and 2007-08, the

one-off payment to families paid since 2003-04, and the one-off payments to carers paid since 2003-04, are included as income as they were primarily a supplement to existing income support payments. The maternity payment introduced in July 2004, now referred to as the Baby Bonus, is also included as income.

**21** The one-off stimulus payments paid in 2008-09 and 2009-10 based on 2007-08 taxable income are also included as income. These stimulus payments include the one off payments from the Family Assistance Office of the single income family bonus, back to school bonus and the additional FTB Part A payment of \$1,000 per child. These also include the stimulus payments from the Australian Taxation Office which were one-off income based payments of \$250, \$600 or \$900 and the Centrelink assistance payments to health care card holders, carers, farmer hardship payment and the training and learning bonus.

### **Gross income**

**22** Gross income is the sum of the income from all sources before income tax and the Medicare levy have been deducted. Prior to 2005-06 family tax benefit paid through the tax system or as a lump sum was excluded from gross income for practical reasons but deducted in deriving disposable income. Since 2005-06 these payments have been included in gross income.

### **Disposable income**

**23** Disposable income better represents the economic resources available to meet the needs of households. It is derived by deducting estimates of personal income tax and the Medicare levy from gross income. Medicare levy surcharge was also calculated and deducted from gross income while calculating disposable income (as it was for the first time in 2007-08).

**24** Income tax is estimated for all households using taxation criteria for 2009-10 and the income and other characteristics of household members reported in the survey.

**25** Prior to 2005-06 the derivation of disposable income also included the addition of family tax benefit paid through the tax system or as a lump sum by Centrelink since for practical reasons it was not included in the gross income estimates.

### **Equivalised disposable income**

**26** Most analyses in this publication use equivalised disposable household income rather than gross or disposable income since it enables comparison of the relative economic wellbeing of households of different size and composition. Equivalised disposable household income is calculated by adjusting disposable income by the application of an equivalence scale. This adjustment reflects the requirement for a larger household to have a higher level of income to achieve the same standard of living as a smaller household. Where disposable income is negative, it is set to zero equivalised disposable income.

**27** When household income is adjusted according to an equivalence scale, the equivalised income can be viewed as an indicator of the economic resources available to a standardised household. For a lone person household, it is equal to income received. For a household comprising more than one person, equivalised income is an indicator of the household income that would be required by a lone person household in order to enjoy the same level of economic wellbeing as the household in question.

**28** For more information on equivalised income see Appendix 3.

### **Lowest income decile**

**29** While equivalised income generally provides a useful indicator of economic wellbeing, there are some circumstances which present particular difficulties. Some households report extremely low and even negative income in the survey, which places them well below the safety net of income support provided by government pensions and allowances. Households may under report their incomes in the survey at all income levels, including low income households. However, households can correctly report low levels of income if they incur losses in their unincorporated business or have negative returns from their other investments.

**30** Studies of income and expenditure reported in HES surveys have shown that such households in the

bottom income decile and with negative gross incomes tend to have expenditure levels that are comparable to those of households with higher income levels (and slightly above the average expenditures recorded for the fifth income decile). This suggests that these households have access to economic resources such as wealth, or that the instance of low or negative income is temporary, perhaps reflecting business or investment start up. Other households in the lowest income decile in past surveys had average incomes at about the level of the single pension rate, were predominantly single person households, and their main source of income was largely government pensions and allowances. However, on average, these households also had expenditures above the average of the households in the second income decile, which is not inconsistent with the use of assets to maintain a higher standard of living than implied by their incomes alone.

**31** It can therefore be reasonably concluded that many of the households included in the lowest income decile are unlikely to be suffering extremely low levels of economic wellbeing. Income distribution analysis may lead to inappropriate conclusions if such households are used as the basis for assessing low levels of economic wellbeing. For this reason, tables showing statistics classified by income quintiles include a supplementary category comprising the second and third income deciles, which can be used as an alternative to the lowest income quintile. (For an explanation of quintiles and deciles, see Appendix 1.)

**32** Whenever a HES is conducted, analysis of households in the lowest income decile can be improved through direct observation of the expenditure and net worth of these households. An examination of households with low economic resources (income and wealth) is expected to be included as a feature article in **Household Wealth and Wealth Distribution, Australia, 2009-10** (cat. no. 6554.0) to be released in October 2011.

### **Current income**

**33** Income is collected using a number of different reporting periods, such as the whole financial year for own unincorporated business and investment income, and the usual payment for a period close to the time of interview for wages and salaries, other sources of private income and government pensions and allowances. The income reported is divided by the number of weeks in the reporting period. Estimates of weekly income in this publication do not therefore refer to a given week within the reference period of the survey.

### **Annual income**

**34** The tables in the main body of this publication refer to 'current' weekly income, that is, income being received at the time the data were collected from respondents. The survey also produces measures of 'annual' income that reflect total incomes for the previous financial year. Appendix 2 explains how current income differs from annual income, notes some of the advantages and disadvantages of the two types of measure and presents some 'annual' income estimates.

### **Imputed rent**

**35** In May 2008 the ABS released household level estimates of imputed rent, derived from data reported in the 2003-04 and 2005-06 SIH for the first time (**Experimental Estimates of Imputed Rent, Australia, 2003-04 and 2005-06** (cat. no. 6525.0)). The availability of imputed rent estimates allows the analysis of household income to be extended to include the imputed rental incomes that flow to people living in homes owned by the occupant and those paying subsidised rent.

**36** Such imputations allow for more meaningful comparison of the income circumstances of people living in different tenure types, and to understand changes over time in income levels and the distribution of income when tenures may be changing over time. Including imputed rent as part of household income and expenditure conceptually treats owner-occupiers as if they were renting their home from themselves, thus simultaneously incurring rental expenditure and earning rental income. Imputed rent is included in income on a net basis i.e. the imputed value of the services received less the value of the housing costs incurred by the household in their role as a landlord.

**37** Hedonic regression is used to estimate the market value of the rental equivalent of an owner-occupied dwelling. Data from the SIH on reported rents paid by private market renters is regressed on the characteristics of their rented dwellings e.g. location and dwelling structure. The estimated coefficients are then applied to the corresponding characteristics of owner-occupied and other dwellings to produce imputed values of the gross rental equivalence for these dwellings.

**38** Net imputed rent is estimated as gross imputed rent less reported housing costs. For owner occupiers, the housing costs subtracted are those which would normally be paid by landlords i.e. rates, mortgage interest, insurance, repairs and maintenance. For households paying subsidised rent (e.g. tenants of an employer or of a state/territory housing authority) and households occupying their dwelling rent-free, the housing costs that are subtracted are largely made up of the reported rent paid, but other housing costs incurred, such as rates, are also subtracted for some tenure types. In the case of tenants of state/territory housing authorities, the net imputed rent estimates have been benchmarked to administrative data on the mean weekly rental subsidy.

### **Net worth**

**39** Net worth, often referred to as wealth, is the value of a household's assets less the value of its liabilities. Assets can take many forms including:

- produced tangible fixed assets that are used repeatedly and for more than one year, such as dwellings and their contents, vehicles, and machinery and equipment used in businesses owned by households
- intangible fixed assets such as computer software and artistic originals
- business inventories of goods
- non-produced assets such as land
- financial assets such as bank deposits, shares, superannuation account balances, and the outstanding value of loans made to other households or businesses.

**40** Liabilities are primarily the value of loans outstanding including:

- credit card debt
- mortgages
- investment loans
- borrowings from other households
- debt on other loans such as personal loans to purchase vehicles, and study loans.

**41** In the 2009-10 SIH, some asset and liability data were collected on a net basis rather than collecting for each component listed above. In particular, if a survey respondent owned or part owned a business, they were asked how much they would receive if they sold their share of the business and paid off any outstanding debts.

**42** While this publication provides some household net worth statistics, principally to aid income analysis, a more comprehensive range of household asset and liability information will be released in October 2011 in **Household Wealth and Wealth Distribution, Australia, 2009-10** (cat. no. 6554.0).

## **SURVEY METHODOLOGY**

### **Scope**

**43** The survey collects information by personal interview from usual residents of private dwellings in urban and rural areas of Australia (excluding very remote areas), covering about 97% of the people living in Australia. Private dwellings are houses, flats, home units, caravans, garages, tents and other structures that were used as places of residence at the time of interview. Long-stay caravan parks are also included. These are distinct from non-private dwellings which include hotels, boarding schools, boarding houses and institutions. Residents of non-private dwellings are excluded.

**44** Usual residents excludes:

- households which contain members of non-Australian defence forces stationed in Australia
- households which contain diplomatic personnel of overseas governments
- households in collection districts defined as very remote - this has only a minor impact on aggregate estimates except in the Northern Territory where such households account for about 23% of the population.

## Data collection

**45** Information for each household was collected using:

- a household level computer assisted interview questionnaire which collected information on household characteristics
- an individual level computer assisted interview questionnaire which collected information on income, wealth, childcare costs and other personal characteristics from each usual resident aged 15 years and over

**46** Sample copies of the above documents are included in the **Household Expenditure Survey and Survey of Income and Housing, User Guide, Australia, 2009-10** (cat. no. 6503.0) to be released in September 2011.

## Sample design

**47** The sample was designed to produce reliable estimates for broad aggregates for households resident in private dwellings aggregated for Australia, for each state and for the capital cities in each state and territory. More detailed estimates should be used with caution, especially for Tasmania, the Northern Territory and the Australian Capital Territory (see Appendix 4).

**48** The SIH sample was designed in conjunction with the HES. In the combined sample, some dwellings were selected to complete both the SIH questionnaire and the HES questionnaire, while other dwellings were selected to complete the SIH questionnaire only. Dwellings were selected through a stratified, multistage cluster design from the private dwelling framework of the ABS Population Survey Master Sample. Selections were distributed across a twelve month enumeration period so that the survey results are representative of income and expenditure patterns across the year.

**49** For the 2009-10 SIH and HES there was an additional sample of metropolitan households whose main source of income was government pensions, benefits and/or allowances. These households were enumerated using a separate sample design.

**50** In the pensioner sample, dwellings were selected via two phase sampling to complete the HES questionnaire. To target the pensioner households the 2006 Census information was used to identify areas where the number of households that were more likely to belong to the target population were higher. This frame prediction was then updated for known deficiencies and changes to the Australian population since 2006. Selections of small geographic (meshblock) first stage units were made to avoid overlap with the population master sample and distributed across a ten month enumeration period from September 2009 to July 2010.

## Non-responding households

**51** For the SIH (excluding the additional pensioner sample) there were 18,285 households in the scope of the survey. Of these, 3,421 did not respond at all to the questionnaire, or did not respond adequately. Of these 3,421 households, 33% were not able to be contacted during the survey enumeration and 49% were contacted but either refused to respond or were not able to respond. The remainder of these households included:

- households affected by death or illness of a household member
- households in which the significant person(s) in the household did not respond because they had language problems or refused to participate
- households in which the significant person(s) did not respond to key questions.

**52** For the additional pensioner sample 42,913 dwellings were approached to screen for inclusion in the sample.

- Of these 42,913 dwellings, 5,522 dwellings (13%) were non-contacts and 918 (2%) refused to answer the screening questions. This resulted in 36,473 dwellings screened for potential interview
- Of these 36,473 dwellings, 31,439 were screened as out of scope for pensioner sample (i.e. the respondent identified the household's main source of income as a source other than government pensions or benefits). This resulted in 5,034 dwellings identified for interview

- Of these 5,034 dwellings, 230 (5%) were identified as sample loss at the point of interview (e.g. all usual residents out of scope), leaving 4,804 dwellings identified as being in scope and selected for interview. Of these, 3,434 dwellings (71%) were fully responding. Taking into account the two phase sample design, the overall coverage rate was about 47% of expected pensioner households with respect to the design frame.

### **Partial response and imputation**

**53** Some households did not supply all the required information but supplied sufficient information to be retained in the sample. Such partial response occurs when:

- income or other data in a questionnaire are missing from one or more non-significant person's records because they are unable or unwilling to provide the data
- all key questions are answered by the significant person(s) but other data are missing
- not every person aged 15 years or over residing in the household responds but the significant person(s) provide answers to all key questions.

**54** In the first two cases, the data provided are retained and the missing data are imputed by replacing each missing value with a value reported by another person (referred to as the donor).

**55** For the third type of partial response, the data for the persons who did respond are retained, and data for each missing person are provided by imputing data values equivalent to those of a fully responding person (the donor).

**56** Donor records are selected by finding fully responding persons with matching information on various characteristics (such as state, sex, age, labour force status and income) as the person with missing information. As far as possible, the imputed information is an appropriate proxy for the information that is missing. Depending on which values are to be imputed, donors are randomly chosen from the pool of individual records with complete information for the block of questions where the missing information occurs.

**57** The final sample includes 5,419 households which had at least one imputed value in income or child care expenses. For 53.7% of these households only a single value was missing, and most of these were for income from interest and investments or information relating to household loans.

### **Final sample**

**58** The final sample on which estimates were based is composed of persons for which all necessary information is available. The information may have been wholly provided at the interview (fully-responding) or may have been completed through imputation for partially responding households. Of the selected dwellings, there were 18,285 in the scope of the survey, of which 14,864 (81%) were included as part of the final estimates. For the additional pensioner sample 4,804 dwellings identified as being in scope, of which 3,027 dwellings (67%) were included on the final file. The final combined sample consists of those 18,071 households, comprising 33,999 persons aged 15 years old and over.

**SIH FINAL SAMPLE: NUMBER OF HOUSEHOLDS - 2009-10**

	<b>Capital city Households no.</b>	<b>Persons no.</b>	<b>Balance of State Households no.</b>	<b>Persons no.</b>	<b>Total Households no.</b>	<b>Persons no.</b>
NSW	2 245	4 294	1 069	2 071	3 314	6 365
Vic.	2 027	3 834	1 079	2 018	3 106	5 852
Qld	1 588	2 991	1 115	2 155	2 703	5 146
SA	1 686	3 043	1 114	2 079	2 800	5 122
WA	1 532	2 800	1 212	2 321	2 744	5 121
Tas.	779	1 399	1 085	2 049	1 864	3 448
NT	505	927	73	127	578	1 054
ACT	962	1 891	-	-	962	1 891
Aust.	11 324	21 179	6 747	12 820	18 071	33 999

- nil or rounded to zero (including null cells)

## **Weighting**

**59** Weighting is the process of adjusting results from a sample survey to infer results for the total in scope population whether that be persons or households. To do this, a 'weight' is allocated to each sample unit e.g. a person or a household. The weight is a value which indicates how many population units are represented by the sample unit. The first step in calculating weights for each unit is to assign an initial weight, which is the inverse of the probability of being selected in the survey. For example, if the probability of a household being selected in the survey was 1 in 600, then the household would have an initial weight of 600 (that is, it represents 600 households).

**60** An adjustment is then made to the initial weights to account for changes in the sample across the four quarters of survey enumeration; the sum of the weights after this initial adjustment of households in each quarter is equal.

**61** The initial weights are then calibrated to align with independent estimates of the population of interest, referred to as 'benchmarks'. Weights calibrated against population benchmarks ensure that the survey estimates conform to the independently estimated distribution of the population rather than to the distribution within the sample itself.

**62** In the 2009-10 SIH, as in 2007-08, all persons in each household were assigned a weight. This differs from the 2005-06 SIH where children aged 0-14 years were not given separate weights, but household counts of the number of children were benchmarked to population totals.

**63** The SIH survey was benchmarked to the in scope estimated resident population (ERP) and the estimated number of households in the population. The 2009-10 SIH used population and household benchmarks based on the 2006 Census.

**64** The benchmarks used in the calibration of the final weights for the 2009-10 SIH were:

- number of persons -
  - by state or territory by age by sex
  - by five year age groups up to 80+ years for all states and territories (excluding NT)
  - by five year age groups up to 70+ years for the NT
  - by state or the ACT by labour force status ('Employed', 'Unemployed' and 'Not in the labour force')
  - by state by capital city/balance of state (excluding NT and ACT which use only state)
- numbers of households -
  - by household composition (number of adults (1,2 or 3+) and whether or not the household contains children) (excluding NT which uses only number of adults of 1+)
- the value of government benefit cash transfers.

**65** More detailed age groupings have been used where possible in benchmarking 2009-10 SIH results.

**66** The benchmark for the value of government benefit cash transfers was used for 2009-10 because, without it, the survey estimates of the number of people receiving income from government benefit cash transfers were lower (81% coverage) than the expected 85% coverage of payments reported by the Department of Family and Community Services, the Department of Veterans' Affairs and the Department of Education, Employment and Workplace Relations. This benchmark was last used in compiling results from the 2000-01 SIH. The benchmark is intended to address likely differences between the characteristics of people who responded to the survey and the characteristics of those who did not respond. The economic circumstances between the 2007-08 and 2009-10 SIH collections saw strong growth in the numbers of recipients for the age pension and disability support pensions. Introducing an additional benchmark is a means of addressing this. The benchmark ensured that the survey estimate of government benefit cash transfers is maintained at a proportion of aggregate benefit cash transfers that is consistent with previous SIH cycles.

**67** The independent person and household benchmarks are based on demography estimates of numbers of persons and households in Australia. The benchmarks are adjusted to include persons and households residing in private dwellings only and to exclude persons living in very remote areas, and therefore do not, and are not intended to, match estimates of the Australian resident population published in other ABS publications.

**68** In weighting the pensioner sample, independent initial probability weights were assigned to the pensioner sample as it was selected separately from the SIH sample. The initial probability weights were then adjusted by the results of the first phase screening results with respect to the observed proportion of identified screened pensioner households. This pensioner sample was only able to be collected in three of the four quarters of SIH enumeration and the initial probability weights were adjusted accordingly.

**69** The pensioner weighted estimates for persons and households were calibrated to the main SIH sample estimates of persons, households and total weekly household income.

**70** Composite estimation was used to obtain the optimal proportions for combining the pensioner sample and main SIH for age pensioner households and other pension beneficiary households at a state by quarter of enumeration level. For more details see **Household Expenditure Survey and Survey of Income and Housing, User Guide, Australia, 2009-10** (cat. no. 6503.0) to be released in September 2011.

## Estimation

**71** Estimates produced from the survey are usually in the form of averages (e.g. average weekly income of couple households with dependent children), or counts (e.g. total number of households that own their dwelling or total number of persons living in households that own their own dwelling). For counts of households, the estimate was obtained by summing the weights for the responding households in the required group (e.g. those owning their own dwelling). For counts of persons, the household weights were multiplied by the number of persons in the household before summing. The SIH collects data on the number of people, including children, in each household but separate records with income and most detailed data were only collected for people 15 years and older.

**72** Average income values are obtained in two different ways, depending on whether mean gross household income or mean equivalised disposable household income is being derived. Estimates of mean gross household income are calculated on a household weighted basis. They are obtained by multiplying the gross income of each household by the weight of the household, summing across all households and then dividing by the estimated number of households. For example, the mean gross household income of couple households with dependent children is the weighted sum of the gross income of each such household divided by the estimated number of those households.

**73** Estimates of mean equivalised disposable household income are calculated on a person weighted basis. They are obtained by multiplying the equivalised disposable income of each household by the number of people in the household (including children) and by the weight of the household, summing across all households and then dividing by the estimated number of people in the population group. Appendix 3 illustrates the differences between mean gross household income calculated on a household weighted basis and mean equivalised disposable household income calculated on a person weighted basis.

## RELIABILITY OF ESTIMATES

**74** The estimates provided in this publication are subject to two types of error, non-sampling and sampling error.

### Non-sampling error

**75** Non-sampling error can occur in any collection, whether the estimates are derived from a sample or from a complete collection such as a census. Sources of non-sampling error include non-response, errors in reporting by respondents or recording of answers by interviewers and errors in coding and processing the data.

**76** Non-sampling errors are difficult to quantify in any collection. However, every effort is made to reduce non-sampling error to a minimum by careful design and testing of the questionnaire, training of interviewers and data entry staff and extensive editing and quality control procedures at all stages of data processing.

**77** One of the main sources of non-sampling error is non-response by persons selected in the survey. Non-response occurs when people cannot or will not cooperate or cannot be contacted. Non-response can affect the reliability of results and can introduce a bias. The magnitude of any bias depends upon the level of non-response and the extent of the difference between the characteristics of those people who responded to the survey and those who did not.

**78** The following methods were adopted to reduce the level and impact of non-response:

- Primary Approach Letters (PALs) were posted to selected SIH and HES households prior to enumeration
- document cards were provided to respondents to suggest having financial statements and similar documents handy at the time of interview to assist with accurate responses
- face-to-face interviews with respondents
- the use of interviewers who could speak languages other than English, where necessary
- Proxy Interviews conducted when consent is given, with a responsible person answering on behalf of a respondent incapable of doing so themselves
- follow-up of respondents if there was initially no response
- imputation of missing values
- ensuring that the weighted data is representative of the population (in terms of demographic characteristics) by aligning the estimates with population benchmarks.

### **Sampling error**

**79** The estimates are based on a sample of possible observations and are subject to sampling variability. The estimates may therefore differ from the figures that would have been produced if information had been collected for all households. A measure of the sampling error for a given estimate is provided by the standard error, which may be expressed as a percentage of the estimate (relative standard error). Further information on sampling error is given in Appendix 4.

### **ACKNOWLEDGMENT**

**80** ABS publications draw extensively on information provided freely by individuals, businesses, governments and other organisations. Their continued cooperation is very much appreciated: without it, the wide range of statistics published by the ABS would not be available. Information received by the ABS is treated in strict confidence as required by the **Census and Statistics Act 1905**.

### **SPECIAL DATA SERVICES**

**81** The ABS offers specialist consultancy services to assist clients with more complex statistical information needs. Clients may wish to have the unit record data analysed according to their own needs, or require tailored tables incorporating data items and populations as requested by them. Tables and other analytical outputs can be made available electronically or in printed form. However, as the level of detail or disaggregation increases with detailed requests, the number of contributors to data cells decreases. This may result in some requested information not being able to be released due to confidentiality or sampling variability constraints. All specialist consultancy services attract a service charge, and clients will be provided with a quote before information is supplied. For further information, contact ABS information consultants on 1300 135 070 from 9:00am to 4:30pm AEST Monday to Friday (International callers +61292684909).

### **UNIT RECORD FILE**

**82** It is expected that a basic confidentialised unit record file (CURF) from the 2009-10 SIH will be released on CD-ROM in September 2011. It is also expected that a more detailed (expanded) SIH CURF will be available through the ABS Remote Access Data Laboratory. All clients wishing to access the SIH 2009-10 basic and expanded CURFs should refer to the ABS Website <<https://www.abs.gov.au>> (see Services, ABS Microdata) and read the Microdata Entry Page, and other linked information, before downloading the appropriate Guide, Application and Undertaking forms and applying for access.

### **Australian universities**

**83** University clients should refer to the ABS web site <[www.abs.gov.au](https://www.abs.gov.au)> (see Services, Services for Universities). The SIH 2009-10 basic and expanded CURFs can be accessed by universities participating in the ABS/Universities Australia Agreement for research and teaching purposes.

## **Other clients**

**84** Other prospective CURF clients should contact the Microdata Access Strategies Section of the ABS at <microdata.access@abs.gov.au> or on (02) 6252 7714.

## **RELATED PUBLICATIONS**

**85** Users may wish to refer to the following ABS products which relate to income. All can be downloaded free of charge from the ABS website.

**Household Expenditure Survey and Survey of Income and Housing, User Guide, Australia, 2009-10** (cat. no. 6503.0) is expected to be released in September 2011

**Microdata: Household Expenditure Survey and Survey of Income and Housing - Basic and Expanded CURF, Australia** (cat. no. 6540.0) is expected to be released in September 2011

**Household Expenditure Survey, Australia: Summary of Results, 2009-10** (cat. no. 6530.0) is expected to be released in September 2011

**Housing Occupancy and Costs, Australia, 2009-10** (cat. no. 4130.0) is expected to be released in November 2011

**Household Wealth and Wealth Distribution, Australia 2009-10** (cat. no. 6554.0) is expected to be released in October 2011

**Government Benefits, Taxes and Household Income, Australia 2009-10** (cat. no. 6537.0) is expected to be released mid 2012

**86** The earlier publications relating to the SIH are listed below. These publications can also be downloaded free of charge from the ABS website.

**Experimental Estimates of Imputed Rent, Australia, 2003-04 and 2005-06** (cat. no. 6525.0)

**Estimates of Personal Income for Small Areas, 2001-02 to 2005-06** (cat. no. 6524.0.55.002)

**Government Benefits, Taxes and Household Income, Australia, 2003-04** (cat. no. 6537.0)

**Household Expenditure Survey, Australia: Summary of Results, 2003-04** (cat. no. 6530.0)

**Household Expenditure Survey, Detailed Expenditure Items, 2003-04** (cat. no. 6535.0.55.001)

**Housing Occupancy and Costs, Australia, 2007-08** (cat. no. 4130.0)

**Household Wealth and Wealth Distribution, Australia, 2005-06** (cat. no. 6554.0)

**87** The other ABS publications relevant to income statistics are listed below. These publications can also be downloaded free of charge from the ABS website.

**Labour Force, Australia** (cat. no. 6202.0) - monthly

**Average Weekly Earnings, Australia** (cat. no. 6302.0) - quarterly

**Measuring Wellbeing: Frameworks for Australian Social Statistics, 2001** (cat. no. 4160.0)

**Measures of Australia's Progress, 2010** (cat. no. 1370.0)

**Estimates of Personal Income for Small Areas, Time Series, 2003-04 to 2007-08** (cat. no. 6524.0.55.002)

**Information paper: Changes to ABS Measures of Employee Remuneration, Australia, 2006** (cat. no. 6313.0)

**Standards for Income Variables, 2010** (cat. no. 1287.0) - this is only available electronically and cannot be downloaded.

**88** Users may also wish to refer to the following non-ABS products which relate to income.

**Taxation Statistics 2008-09: A summary of income tax returns for the 2008-09 income year and other reported tax information for the 2009-10 financial year**

(Australian Tax Office) link: under > Corporate > Our statistics centre > Taxation Statistics  
[www.ato.gov.au](http://www.ato.gov.au)

**Statistical Paper No. 3: Income support customers: A statistical overview 2010**

(Department of Families, Community Services and Indigenous Affairs)  
link: under FaHCSIA Internet > About FaHCSIA > Publications & Articles > Research Publications > Statistical Paper series  
[www.fahcsia.gov.au/about/publicationsarticles/research/statistical/Pages/default.aspx](http://www.fahcsia.gov.au/about/publicationsarticles/research/statistical/Pages/default.aspx)

## Glossary

### GLOSSARY

#### Balance of state

That part of each Australian state or territory not defined as capital city. Balance of state estimates for Northern Territory are regarded as too unreliable to publish separately since they exclude collection districts defined as very remote which account for about 23% of the NT population. All of the Australian Capital Territory is defined as capital city for this publication.

#### Capital city

Refers to Australia's six state capital city Statistical Divisions and the Darwin Statistical Division as defined in the **Australian Standard Geographical Classification (ASGC)** (cat. no. 1216.0). For the Australian Capital Territory the estimates relate predominantly to urban areas, and all of the Australian Capital Territory is defined as a capital city for this publication.

#### Child Care Benefit (CCB)

Assistance in the form of a payment made by the Australian Government to help with the costs of child care for families who use either approved or registered child care.

#### Child Care Rebate (CCR)

A tax offset that allows families with a tax liability to receive a rebate of their out-of pocket expenses incurred for approved childcare. The CCR is available for families who receive Child Care Benefit (CCB) and meet the CCB work, study and training test.

#### Collection District (CD)

The Census Collection District (CD) is the smallest geographic area defined in the **Australian Standard Geographical Classification (ASGC)** (cat. no. 1216.0).

#### Commonwealth Rent Assistance (CRA)

Commonwealth Rent Assistance is a non-taxable income supplement paid through Centrelink to individuals and families who rent in the private rental market. It is only paid to recipients of another government benefit or pension, and paid in conjunction with that other benefit.

#### Consumer Price Index (CPI)

A general measure of price inflation for the household sector in Australia. Specifically, it provides a measure of changes, over time, in the cost of a constant basket of goods and services acquired by the capital city households in Australia.

#### Cost of child care

The cost, gross of Child Care Benefit and the Child Care Rebate, to parents for a child to attend care. In most cases, where the Child Care Benefit was paid directly to the child care service provider, the cost of care was directly collected in the survey. In a small number of cases, where the Child Care Benefit was not paid directly to the provider, the Child Care Benefit was estimated.

#### Couple

See One family households.

## **Couple family with dependent children**

See One family households.

## **Credit card debt**

The amount owing on the respondent's latest credit card account statement (including any government, interest or financial institution charges), irrespective of whether it was paid off by the due date. Includes amounts owing on specialised retail shopping cards as well as general credit cards such as Visa, Mastercard and store credit cards but excludes Visa and Mastercard debit cards.

## **Debenture**

A formal acknowledgement of indebtedness by a company. Interest is paid by the company at specific intervals. A loan or deposit can be called a debenture if it is secured over company assets. Unlike shareholders, debenture holders have a creditor relationship with the company. Instead of dividends, debenture holders receive interest on their debentures which is accounted for by the company as an expense.

## **Deciles**

Groupings that result from ranking all households or persons in the population in ascending order according to some characteristic such as their household income and then dividing the population into 10 equal groups, each comprising 10% of the estimated population.

## **Dependent children**

All persons aged under 15 years; and persons aged 15-24 years who are full-time students, have a parent in the household and do not have a partner or child of their own in the household.

## **Disposable income**

Gross income less income tax, the Medicare levy and the Medicare levy surcharge i.e. remaining income after taxes are deducted, which is available to support consumption and/or saving. Income tax, Medicare levy and the Medicare levy surcharge are imputed based on each person's income and other characteristics as reported in the survey. Disposable income is sometimes referred to as net income.

## **Employed**

Persons aged 15 years and over who, during the week before the interview:

- worked one hour or more for pay, profit, commission or payment in kind in a job or business, or on a farm (includes employees, employers and own account workers)
- worked one hour or more, without pay, in a family business or on a family farm
- had a job, business or farm but was not at work because of holidays, sickness or other reason.

## **Employee**

An employed person who, for most of his/her working hours:

- works for a public or private employer and receives remuneration in wages or salary, or is paid a retainer fee by his/her employer and works on a commission basis, or works for an employer for tips, piece-rates or payment in kind
- operates their own incorporated business with or without employees.

## **Employer**

A person who operates his or her own unincorporated business or engages independently in a profession or trade, and hires one or more employees.

## **Employment income**

See Wages and salaries.

### **Equivalised disposable household income**

Disposable household income adjusted using an equivalence scale. For a lone person household it is equal to disposable household income. For a household comprising more than one person, it is an indicator of the disposable household income that would need to be received by a lone person household to enjoy the same level of economic wellbeing as the household in question. For further information see Appendix 3.

### **Family**

Two or more people, one of whom is at least 15 years of age, who are related by blood, marriage (registered or de facto), adoption, step or fostering and who usually live in the same household. A separate family is formed for each married couple, or for each set of parent-child relationships where only one parent is present.

### **Family composition of household**

Classifies households into three broad groupings based on the number of families present (one family, multiple family and non-family). One family households are further disaggregated according to the type of family (such as couple family or one parent family) and according to whether or not dependent children are present. Non-family households are disaggregated into lone person households and group households.

### **First home buyer**

A household which bought their dwelling in the three years prior to being interviewed, and neither the reference person nor their co-resident partner had owned or been purchasing a home previously.

### **Formal child care**

Regulated child care away from the child's home. The main types of formal care are before and/or after school care, long day care, family day care, occasional care and vacation care.

### **Full-time student**

A person 15 years or over who is classified as a full-time student by the institution they attend, or considers himself/herself to be a full-time student. Full-time study does not preclude employment.

### **Gini coefficient**

A summary measure of inequality of income distribution. For further information see Appendix 1.

### **Government pensions and allowances**

Income support payments from government to persons under social security and related government programs. Included are pensions and allowances received by aged, disabled, unemployed and sick persons, families and children, veterans or their survivors, and study allowances for students. All overseas pensions and benefits are included here, although some may not be paid by overseas governments. Family Tax Benefit, Baby Bonus and Child Disability Assistance Payment paid to recipients of Carer Allowance are also included in government pensions and allowances.

### **Gross imputed rent**

The estimated market rent that a dwelling would attract if it were to be commercially rented.

### **Gross income**

Income from all sources, whether monetary or in kind, before income tax, the Medicare levy and the Medicare levy surcharge are deducted.

### **Group household**

See Non-family household.

## **Household**

A person living alone or a group of related or unrelated people who usually live in the same private dwelling.

## **Income**

Income consists of all current receipts, whether monetary or in kind, that are received by the household or by individual members of the household, and which are available for, or intended to support, current consumption.

Income includes receipts from:

- wages and salaries and other receipts from employment (whether from an employer or own incorporated enterprise), including income provided as part of salary sacrificed and/or salary package arrangements
- profit/loss from own unincorporated business (including partnerships)
- net investment income (interest, rent, dividends, royalties)
- government pensions and allowances
- private transfers (e.g. superannuation, workers' compensation, income from annuities, child support, and financial support received from family members not living in the same household).

Gross income is the sum of the income from all these sources before income tax, the Medicare levy and the Medicare levy surcharge are deducted. Other measures of income are Disposable income and Equivalised disposable household income.

Note that child support and other transfers from other households are not deducted from the incomes of the households making the transfers.

## **Income unit**

One person or a group of related persons within a household, whose command over income is assumed to be shared. Income sharing is assumed to take place within married (registered or de facto) couples, and between parents and dependent children.

## **Incorporated business**

An incorporated business is a company that has a registered business name with the **Australian Securities and Investment Commission (ASIC)** and a legal status which is separate to that of the individual owners of the business.

## **Informal child care**

Non-regulated child care, arranged by a child's parent/guardian, either in the child's home or elsewhere. It comprises care by (step) brothers or sisters, care by grandparents, care by other relatives (including a parent living elsewhere) and care by other (unrelated) people such as friends, neighbours, nannies or babysitters. It may be paid or unpaid.

## **Labour force status**

Classifies all persons aged 15 years and over according to whether they were employed, unemployed or not in the labour force.

## **Landlord type**

For renters, the type of entity to whom rent is paid or with whom the tenure contract or arrangement is made. Renters are classified to one of the following categories:

- state/territory housing authority - where the household pays rent to a state or territory housing authority or trust
- private landlords - where the household pays rent to a real estate agent or to another person not in the same household
- other - where the household pays rent to the owner/manager of a caravan park, an employer (including a government authority), a housing cooperative, a community or church group, or any other body not included elsewhere.

## **Lone person household**

See Non-family households.

## **Main source of income**

That source from which the most positive income is received. If total income is nil or negative the main source is undefined. As there are several possible sources, the main source may account for less than 50% of gross income.

## **Mean income**

The total income received by a group of units divided by the number of units in the group. For more detail about household weighted and person weighted means, see Appendix 1.

## **Median income**

That level of income which divides the units in a group into two equal parts, one half having incomes above the median and the other half having incomes below the median. For more detail about household weighted and person weighted medians, see Appendix 1.

## **Medicare levy**

Medicare is Australia's universal health care system. The Medicare levy is a specific tax, based on individual income, intended to assist in the funding of this system.

## **Medicare levy surcharge**

The Medicare levy surcharge is a levy, or an additional tax, on Australian taxpayers who do not have an appropriate level of private hospital insurance and who are earning more than the specified income threshold.

## **Multiple family household**

A household containing two or more families. Unrelated individuals may also be present.

## **Negative income**

Income may be negative when a loss accrues to a household as an owner or partner in unincorporated businesses, rental properties or other investment income. Losses occur when operating expenses and depreciation are greater than gross receipts.

## **Negative net worth**

Net worth may be negative when household liabilities exceed household assets.

## **Net imputed rent**

Gross imputed rent less housing costs. Net imputed rent is an estimate of the value of housing services that households receive from home ownership or by households paying subsidised rent or occupying their dwelling rent free. Housing costs for the purpose of calculating net imputed rent for owner-occupiers comprise:

- rates payments (general and water)
- body corporate fees
- the interest component of repayments of loans that were obtained for the purposes of purchasing or building
- rent payments
- house insurance costs
- repair and maintenance costs.

## **Net worth**

Net worth is the value of a household's assets less the value of its liabilities. Net worth may be negative when household liabilities exceed household assets.

### **Non-dependent children**

Persons aged 15 years and over who:

- do not have a spouse or offspring of their own in the household
- have a parent in the household
- are not full-time students aged 15-24 years.

### **Non-family household**

A household that consists of unrelated persons only. Non-family households are classified to one of the following categories:

- group household - a household consisting of two or more unrelated persons where all persons are aged 15 years and over. There are no reported couple relationships, parent-child relationships or other blood relationships in these households
- lone person household - a household consisting of a person living alone.

### **Not in the labour force**

Persons not in the categories employed or unemployed as defined.

### **One family households**

One family households are classified to one of the following categories:

- couple only - two persons in a registered or de facto marriage, who usually live in the same household
- couple family with dependent children - a household consisting of a couple with at least one dependent child. The household may also include non-dependent children, other relatives and unrelated individuals
- one parent family with dependent children - a household comprising a lone parent with at least one dependent child. The household may also include non-dependent children, other relatives and unrelated individuals
- other one family households - a household comprising:
  - one couple with their non-dependent children only
  - one couple, with or without non-dependent children, plus other relatives
  - one couple, with or without non-dependent children or other relatives, plus unrelated individuals
  - a lone parent with his/her non-dependent children, with or without other relatives and unrelated individuals
  - two or more related individuals where the relationship is not a couple relationship or a parent-child relationship (e.g. two brothers).

### **One parent family with dependent children**

See One family households.

### **Other income**

Income other than wages and salaries, own unincorporated business income and government pensions and allowances. This includes income received as a result of ownership of financial assets (interest, dividends), and of non-financial assets (rent, royalties) and other current receipts from sources such as superannuation, child support, workers' compensation and scholarships. Income from rent is net of operating expenses and depreciation and may be negative when these are greater than gross receipts.

### **Other landlord type**

Where the household pays rent to the owner/manager of a caravan park, an employer (including a

government authority), a housing cooperative, a community or church group, or any other body not included elsewhere.

### **Other one family households**

See One family households.

### **Other tenure type**

A household which is not an owner (with or without a mortgage), or a renter. Includes rent free.

### **Own account worker**

A person who operates his or her own unincorporated business or engages independently in a profession or trade and hires no employees.

### **Own unincorporated business income**

The profit/loss that accrues to persons as owners of, or partners in, unincorporated businesses. Profit/loss consists of the value of gross output of the business after the deduction of operating expenses (including depreciation). Losses occur when operating expenses are greater than gross receipts and are treated as negative income.

### **Owner (of dwelling)**

A household in which at least one member owns the dwelling in which the household members usually reside. Owners are divided into two categories - owner without a mortgage and owners with a mortgage. If there is any outstanding mortgage or loan secured against the dwelling the household is an owner with a mortgage. If there is no mortgage or loan secured against the dwelling the household is an owner without a mortgage.

### **Percentiles**

When all households or persons in the population are ranked from the lowest to the highest on the basis of some characteristic such as their household income, they can then be divided into equal sized groups. Division into 100 groups gives percentiles. The highest value of the characteristic in the tenth percentile is denoted P10. The median or the top of the 50th percentile is denoted P50. P20, P80 and P90 denote the highest values in the 20th, 80th and 90th percentiles. Ratios of values at the top of selected percentiles, such as P90/P10, are often called percentile ratios. See Appendix 1 for information on the use of percentile ratios in analysing distributions.

### **Percentiles ratios**

Percentile ratios summarise the relative distance between two points in a distribution. To illustrate the full spread of the income distribution, the percentile ratio needs to refer to points near the extremes of the distribution, for example, the P90/P10 ratio. The P80/P20 ratio better illustrates the magnitude of the range within which the income of the majority of households falls. The P80/P50 and P50/P20 ratios focus on comparing the ends of the income distribution with the midpoint.

### **Preschool**

Educational and developmental programs for children in the year (or in some jurisdictions, two years) before they begin full-time primary education.

### **Private income**

Current receipts from private organisations, including wages and salaries, income from own business, superannuation, workers' compensation, income from annuities, interest, dividends, royalties, income from rental properties, scholarships and child support.

### **Quintiles**

Groupings that result from ranking all households or persons in the population in ascending order according to some characteristic such as their household income and then dividing the population into five equal

groups, each comprising 20% of the estimated population.

## **Ratio of household incomes at top of selected income percentiles**

See Percentiles.

### **Reference person**

The reference person for each household is chosen by applying, to all household members aged 15 years and over, the selection criteria below, in the order listed, until a single appropriate reference person is identified:

- the person with the highest tenure when ranked as follows: owner without a mortgage, owner with a mortgage, renter, other tenure
- one of the partners in a registered or de facto marriage, with dependent children
- one of the partners in a registered or de facto marriage, without dependent children
- a lone parent with dependent children
- the person with the highest income
- the eldest person.

### **Relative standard error (RSE)**

The standard error expressed as a percentage of the estimate for which it was calculated. It is a measure which is independent of both the size of the sample, and the unit of measurement and as a result, can be used to compare the reliability of different estimates. The smaller an estimate's RSE, the more likely it is that the estimate is a good proxy for that which would have been obtained if the whole population had been surveyed. For further information see Appendix 4.

### **Renter**

A household which pays rent to reside in the dwelling. See further classification by Landlord type.

### **Salary packaging**

An arrangement for the employer to remunerate the employee with a combination of cash wages and salaries and one or more non-cash benefits, to the value of the employee's total remuneration.

### **Salary sacrifice**

An arrangement under which an employee agrees contractually to forgo part of the remuneration, which the employee would otherwise receive as wages and salaries, in return for the employer or someone associated with the employer providing benefits of a similar value.

### **Selected dwelling**

The private dwelling selected in the sample for the survey.

### **Significant person**

Significant persons are defined as follows:

- all members of lone person or couple only households
- all parents in a couple with children household or a single parent household
- the person aged 15 years or over in a group household where one person is aged 15 years or over and the other members of the household are less than 15 years old
- 50% of the persons aged 15 years and over in all other households.

### **Standard error**

A measure of the likely difference between estimates obtained in a sample survey and estimates which would have been obtained if the whole population had been surveyed. The magnitude of the standard error associated with any survey is a function of sample design, sample size and population variability. For further information see Appendix 4.

## **Statistical Division (SD)**

The largest spatial units within each state/territory in the main structure of the **Australian Standard Geographical Classification (ASGC)** (cat. no. 1216.0).

### **Study loans**

Study loans are debts incurred under HELP, the government education payment scheme, and other government higher education schemes. They also include loans incurred prior to 2005 under the Higher Education Contribution Scheme (HECS) and the Student Financial Supplement Scheme (SFSS). A feature of these loans is that the obligation to repay them only exists when the student's income exceeds a threshold. The debt is also extinguished upon death.

### **Tenure type**

The nature of a household's legal right to occupy the dwelling in which the household members usually reside. Tenure is determined according to whether the household owns the dwelling outright, owns the dwelling but has a mortgage or loan secured against it, is paying rent to live in the dwelling or has some other arrangement to occupy the dwelling.

### **Trusts**

Any type of managed fund which involves the pooling of investors' money in order for a trustee or professional manager to administer that fund. Examples include listed and unlisted public unit trusts, cash management trusts, property trusts and family trusts used only for investment purposes.

### **Unemployed**

Persons aged 15 years and over who were not employed during the week before the interview and had actively looked for full-time or part-time work at any time in the four weeks before the interview and:

- were available for work in the week before the interview
- were waiting to start a new job within four weeks from the interview and would have started in the week before the interview if the job had been available then.

### **Unincorporated business**

A business in which the owner(s) and the business are the same legal entity, so that, for example, the owner(s) are personally liable for any business debts that are incurred.

### **Wages and salaries**

An employee's total remuneration, whether monetary or in kind, received as a return to labour from an employer or from a person's own incorporated business. It comprises wages and salaries, bonuses, amounts salary sacrificed, non-cash benefits such as the use of motor vehicles and subsidised housing, and termination payments.

### **Wealth**

See Net worth.